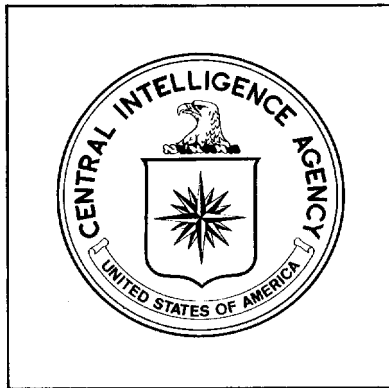


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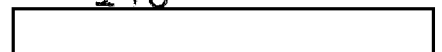
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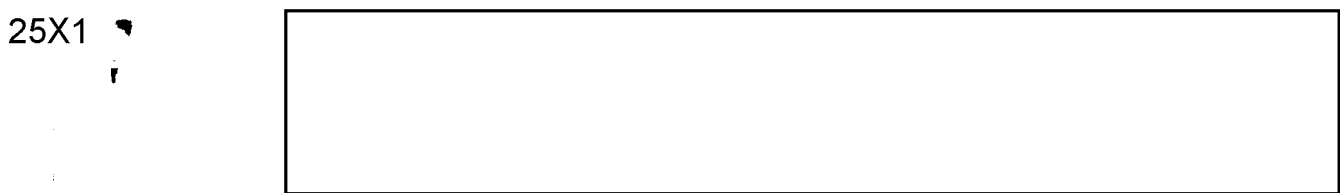


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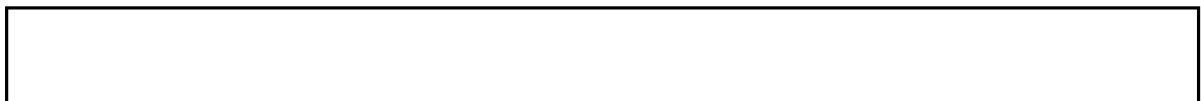
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MIDDLE EAST – AFRICA – SOUTH ASIA



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Saudi Arabia-France

Prince Fahd Visits Paris

Saudi Crown Prince Fahd's current visit to France, scheduled to end Thursday, may result in some kind of economic cooperation agreement between Riyadh and Paris.

In recent weeks several senior French officials have made short negotiating trips to Saudi Arabia to push for the conclusion of a new economic accord to extend and expand on the one signed by the two countries in early 1974. A new agreement would reportedly include French oil purchases of about 200,000 to 300,000 barrels per day for 10 years, presumably beginning when the present contract runs out at the end of 1975. The proposal is far more modest than a 20-year, 820,000 barrel-per-day proposal discussed a year ago.

The two countries are also discussing industrial cooperation, although talks are reportedly still very general. The Saudis would like to see French investment in joint ventures, and apparently hope to obtain a virtual guarantee by the French government of private company commitments--something Paris cannot deliver. Projects mentioned by French officials as under discussion include desalinization, nuclear research, minerals prospecting, roadbuilding, housing, and public works. The French also hope that closer relations with Riyadh will pave the way for substantial deposits of Saudi funds in the French market.

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Sudan-Egypt

New Agreements

Sudan and Egypt are expected to sign a number of economic and cultural agreements during President Sadat's visit to Khartoum later this week.

One of the agreements calls for the establishment of a joint Egyptian-Sudanese company to carry out agricultural projects in Sudan. Priority has been given to the digging of the Jonglei Canal in southern Sudan. Preliminary work on the canal--which will eventually supply water from the White Nile to bring from 5 to 7 million acres of land under cultivation--touched off two days of student rioting in the southern regional capital of Juba last October. The students, reflecting regional fears that President Numayri intends to "Arabize" the south, claimed that the canal would be used to set up colonies of Egyptian farmers in the region.

Other planned Egyptian-Sudanese projects affecting the south, such as the establishment of an Islamic cultural center in one of the region's larger towns, could produce a similar reaction. Numayri's trip to the south last week, concurrent with the Sudanese-Egyptian ministerial meetings, may in part have been calculated to allay the southerners' fears.

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Kenya*Kenyatta's Critics on the Defensive*

President Jomo Kenyatta appears to have ridden out the hostile public reaction to the government's handling of the Kariuki murder case and to have cowed both his parliamentary and university student critics.

Kenyatta's tough line has caused his opponents in parliament to back off from any overt challenge to his authority. Parliamentary debate has resumed its earlier character as a forum for local grievances.

Opposition in parliament peaked early last month when backbench opponents of Kenyatta carried the day on two crucial votes pertaining to the report of the select committee investigating the murder last March of Kariuki, a critic of the regime. Kenyatta retaliated by dismissing three cabinet members who voted against the government. In addition, Mark Mwithaga, a former political ally of Kariuki and another frequent critic of the government, was deprived of his parliamentary seat by the courts for alleged irregularities during the election campaign last October.

Government supporters also marshalled enough votes to disband another select committee that had been investigating corruption in government--a topic which brought them uncomfortably close to the activities of the Kenyatta family.

The University of Nairobi, which had been the scene of serious anti-government disturbances this spring, is open and functioning normally. The students appear to have been intimidated by punitive police actions and mass arrests in May.

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China-Mozambique*More Than a Foot in the Door*

While the Soviets have been squirming as a result of the limelight thrown on their military presence in Somalia, the Chinese have probably been taking quiet satisfaction from their increasingly solid position down the coast in newly independent Mozambique. The economic aid agreement signed by Chinese Minister of Communications Yeh Fei in Lourenco Marques on July 2 is hard evidence of the importance Peking attaches to its relationship with the new East African government: the agreement calls for an interest-free Chinese loan of \$56 million--a substantial amount for the Chinese--and may also include provisions for China to send technical advisers to Mozambique. The loan itself represents nearly half of all bilateral foreign aid committed to the new government in Lourenco Marques.

The Chinese have a mix of interests in Mozambique, not the least of which is to limit Soviet influence. Moscow and Peking have been competing in Mozambique since they began supplying military assistance to Samora Machel's Front for the Liberation of Mozambique (FRELIMO) after the armed insurgency broke out in the mid-1960s. Peking gained the inside track early on because of its more direct access to FRELIMO through Tanzania; the Chinese, in effect, acted as agents of the Tanzanians in training and equipping FRELIMO. The Soviets have remained in the running, however, and early this year Moscow apparently attempted to reach some agreement regarding use of port facilities in Mozambique by the Soviet navy.

Peking has shown considerable apprehension over any expansion of Soviet naval power in the Indian Ocean and was undoubtedly gratified that the Soviet initiative toward Mozambique was rebuffed. Tanzanian President Nyerere was reportedly instrumental in

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convincing Samora Machel to turn down the Soviet request, and it is possible that Peking may have spent some of its political capital in Dar es Salaam to enlist Tanzanian help in undercutting the Soviets in Mozambique.

From Peking's point of view, the stakes were certainly high enough, and Peking has clearly pulled further ahead of Moscow in recent months. The Chinese announcement of their intention to recognize the new government in Mozambique preceded by several months a similar announcement from Moscow, and the signing of the aid agreement on July 2 upstaged the presence of a high-powered Soviet delegation at independence ceremonies. All this apparently had its effect on the new government, which accepted the Chinese ambassador's credentials on June 28 but was still keeping the Soviet ambassador-designate waiting as of the first week of July.

On a broader plane, the Chinese undoubtedly see their role in Mozambique as a means of increasing Peking's ability to influence the eventual outcome in southern Africa. Mozambique will play an important role in this regard: it provides a pool of labor for and shares a common border with white-ruled South Africa and Rhodesia and controls the latter's outlets to the sea. Peking seems to see armed struggle in the region as an emotional issue, which it can make use of, and is clearly unhappy over the current effort by Mozambique, Zambia, and Botswana to mediate between Salisbury and black Rhodesian nationalist groups. China can be expected to capitalize on its good relations with Mozambique's leaders to try to undercut such efforts at political compromise. Simultaneously, Peking will encourage Mozambique to take a more active role in the armed struggle and to cooperate and coordinate more closely in this area with other black African states and with the various guerrilla organizations operating in southern Africa.

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China-India

New Apprehensions in Peking

From any angle, the Chinese can view recent developments in India only as a setback. The lingering question for China's policy makers is how much damage will be done ultimately. This will depend on the future course of events in India.

In terms of Sino-Indian bilateral relations, there is almost no prospect of any improvement until the situation in New Delhi becomes considerably more settled. There were a number of signs prior to Mrs. Gandhi's declaration of a national emergency which suggested that Peking was still interested in some degree of rapprochement.

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At present, Peking recognizes that New Delhi is preoccupied with internal matters, but the Chinese do not seem prepared to foreclose on the future entirely. This, in part, explains why Peking has tended to soft-pedal its criticism of Mrs. Gandhi's moves. Aside from a signed *People's Daily* article which sharply criticized the Prime Minister by name, the Chinese press has confined itself to relatively low level and infrequent treatment of events in India. In the past, when exercised, Peking has shown no hesitancy to deal critically with India's domestic affairs, but in this instance there seems to be a reluctance to even replay foreign press commentary.

At the same time, China's press treatment has clearly revealed apprehension about Moscow's efforts to capitalize on the situation. Peking is fearful that should Mrs. Gandhi's political position weaken, she might be tempted to rely more heavily on the Soviets for economic and military aid. India's granting the Soviets base rights as their part of the quid pro quo is Peking's nightmare.

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If Mrs. Gandhi is able to stay in power, even without Soviet help, Peking would almost certainly still feel its position has slipped. This is because the Chinese probably believe that democratic rule is not likely to be restored, and therefore the chances of Mrs. Gandhi leaving office are slim. Chinese leaders have strongly intimated in the past that Indian resistance to better relations with China stems from Mrs. Gandhi personally.

This does not mean that the Chinese would prefer to see Mrs. Gandhi fall from power--at this point. Such a development could result in an Indian leadership even more detrimental to Chinese interests than the present one. But if Mrs. Gandhi were to drift closer to the Soviets, Peking would almost certainly want to see her removal from office.

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The political crisis in India, unpalatable as it is for the Chinese, would be more digestible had it not come on the heels of the reopening of the Suez Canal and the fall of Vietnam. Peking strongly believes that these events have worked to the advantage of Moscow. The coincidence of these three developments almost certainly will reinforce China's feeling that it is being encircled by the Soviet Union.

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